

Members

Sen. Patricia Miller, Chairperson  
Sen. Robert Meeks  
Sen. Ryan Mishler  
Sen. Sue Errington  
Sen. Vi Simpson  
Sen. Connie Sipes  
Rep. Charlie Brown  
Rep. William Crawford  
Rep. Peggy Welch  
Rep. Timothy Brown  
Rep. Suzanne Crouch  
Rep. Don Lehe



# SELECT JOINT COMMISSION ON MEDICAID OVERSIGHT

*Legislative Services Agency*  
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Authority: IC 2-5-26

## MEETING MINUTES<sup>1</sup>

**Meeting Date:** July 30, 2007  
**Meeting Time:** 1:00 P.M.  
**Meeting Place:** State House, 200 W. Washington St.,  
Senate Chamber  
**Meeting City:** Indianapolis, Indiana  
**Meeting Number:** 1

**Members Present:** Sen. Patricia Miller, Chairperson; Sen. Ryan Mishler; Sen. Sue Errington; Sen. Connie Sipes; Rep. Charlie Brown; Rep. William Crawford; Rep. Timothy Brown; Rep. Suzanne Crouch.

**Members Absent:** Sen. Robert Meeks; Sen. Vi Simpson; Rep. Peggy Welch; Rep. Don Lehe.

Sen. Patricia Miller called the first meeting of the Select Joint Commission on Medicaid Oversight to order at 1:10 p.m.

After introducing the members of the Commission, Sen. Miller announced the dates of additional Commission meetings. The meetings will be scheduled at 10:00 a.m. on August 15, 2007; September 10, 2007; October 4, 2007; and October 29, 2007. Sen. Miller called on LSA staff to review the assignments for the Commission for the interim session (see Exhibit #1). Sen. Miller asked Commission members for additional issues they wished to address during the interim session. She then reviewed the quorum requirements and the number of votes required for the Commission to make recommendations.

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<sup>1</sup> Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

### **EDS Update - Sid Norton, Chief Financial Officer, FSSA**

Mr. Norton reviewed a comparison of the administrative cost per EDS claim paid (see Exhibit #2 for slide presentation). He reported that FSSA is considering in-sourcing or bidding the current EDS workload in different functional pieces rather than continuing to bid the contract in the same format as the current arrangement. The EDS contract has been extended by 6 months, until December, 31, 2007, to allow FSSA time to determine the most appropriate mix of contracting-out functional pieces of the existing work and/or bringing some of the functions in-house to FSSA.

Sen. Miller asked for the EDS report on the number and timing of claims paid and numbers of physicians. As this information was not available, she requested the data for the subsequent meetings of the Commission and asked that all the managed care organizations (MCOs) present the same information as well. Discussion followed with regard to whether physicians under contract with MCOs would see higher levels of reimbursement as a result of HEA 1678. Questions were asked with regard to the number of EDS and MCO claims submitted and paid electronically.

### **Indiana Care Select Program - Jeff Wells, M.D., Director, OMPP**

Dr. Wells reviewed market forces that are expected to increase Medicaid costs, and he also reviewed the goals of the Care Select program for pairing aged, blind, and disabled patients with primary care physicians (see Exhibit #3 for slide presentation). Dr. Wells reviewed the progress of the bidding process for Care Select providers and informed the Commission that the Regenstrief Institute would be assisting FSSA in the review of proposals. He advised the Commission that the implementation of the program would begin with a phased rollout beginning with Central Indiana in October of 2007. Dr. Wells also stated that the provider reimbursement for planning and coordination services will be \$15 per patient per month for Care Select patients.

Questions followed with regard to why persons in the Seriously Mentally Ill (SMI) classification would have billed charges paid by EDS if they were cared for in institutional or group home settings.

### **Nursing Facility Rate Changes - Sid Norton, Chief Financial Officer, FSSA**

Mr. Norton reviewed the history of the Quality Assessment Fee (QAF) and the associated expenditures made to nursing facilities. Mr. Norton reported that nursing facility rates will increase by 9% in the absence of the proposed rule. He explained the steps the administration took to constrain expenditures in FY 2007 and the necessity of limiting nursing facility expenditures within the Medicaid budget to a growth rate of not more than 5% (see Exhibit #4 for slide presentation). Mr. Norton reported the balance in the Closure and Conversion Fund at \$32.6 M and explained that the Centers for Medicare and Medicaid Services have not yet approved any plan put forward by OMPP that would allow the leveraging of these funds with federal matching funds. He also reported that the funds were segregated in an account outside the use of FSSA and are controlled by the State Budget Agency.

There was Commission discussion regarding the funds set aside for closure and conversion purposes and whether budget goals were being accomplished at the expense of the nursing home industry. Sen. Miller announced that there would be no vote taken today with regard to the Commission's approval of the proposed rate changes and requested that FSSA move the

FSSA Advisory Committee meeting to accommodate the Commission's meeting schedule with regard to this issue.

**Bob Decker - Hoosier Owners and Providers for the Elderly, (HOPE)**

Mr. Decker testified that the nursing home industry feels that money in the Closure and Conversion Fund is part of the 80% of the QAF which is designated by statute for payments to nursing facilities and that these funds should be available for payments to nursing facilities if the use for closure and conversion is not approved by CMS. Mr. Decker testified that the integrity of the case-mix reimbursement system for nursing facilities can be maintained without any cost to the state General Fund by using the funds set aside for, but not used for, closure and conversion.

**Jim Leich - Indiana Association of Homes and Services for the Aging**

Mr. Leich reviewed the origin of the Closure and Conversion Fund and explained that no expenditures have been made from the fund for closure or conversion purposes since CMS has not approved a mechanism for payments which can be used to leverage federal funding. Mr. Leich commented that the problem with the rule proposed by FSSA is the level of caps imposed and the use of 2005 as the base year to which the 5% limit would be applied. The nursing facilities would prefer that more current 2006 costs be the base year for the rule.

**Faith Laird - Indiana Health Care Association**

Ms. Laird testified that use of 2005 as the base year does not take into account the current cost of doing business. She stated that implementing the rule as proposed would result in a reduction in reimbursement for many providers.

Discussion followed regarding the amount in, and the current use of the Closure and Conversion Fund. Questions were asked with regard to the authority for the fund and how the amount deposited in it is determined. The draft rule was distributed (See Exhibit #5).

Sen. Miller commented that there was a need to statutorily define the issue of closure and conversion and the associated fund. Sen. Miller requested LSA Staff Attorney Ann Naughton to review the procedure for the Commission's recommendation and the rule-making process. She then stated that the Commission will vote on the proposed rule at the August 15, 2007, meeting.

**Impact of Federal Rulings on Intergovernmental Transfers - Tim Kennedy, Indiana Hospital and Health Association**

Mr. Kennedy reviewed the new federal rule that will impact payments made to county and municipal hospitals, and to community mental health centers (CMHCs) in the state. The rule currently is not in effect, being subject to a one-year moratorium which is due to expire on May 29, 2008. The rule allows only entities that have taxing authority or that are an integral part of and controlled by an entity that has taxing authority to contribute funds for qualifying intergovernmental transfers. County hospitals and CMHCs in Indiana do not have taxing authority nor are the counties responsible for these entities. Since the CMHCs and county and municipal hospitals are the source of state matching funds for municipal upper payment limit

payments, municipal disproportionate share hospital (DSH) payments, and rehabilitation option payments, these entities stand to lose many millions of dollars in additional Medicaid reimbursements that they currently receive (see Exhibit #6). Mr. Kennedy testified that there is no other mechanism for another entity to contribute the state share of this funding. Wishard Hospital, under the auspices of the Health and Hospital Corporation, is not affected by this portion of the rule. However, Mr. Kennedy said that certain payments made to Wishard outside the DSH program currently, would be curtailed if the rule is implemented. Mr. Kennedy commented that while other states are impacted by this rule, Indiana will be uniquely hurt by the implementation of the rule.

Discussion followed on the timing of the expiration of the moratorium on the rule.

The meeting adjourned at 3:05 P.M.